

BEFORE THE COMMISSIONER OF INSURANCE
STATE OF COLORADO

Division of Insurance Case No. RE 4797

STIPULATION FOR ENTRY OF FINAL AGENCY ORDER

IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF PIONEER
GENERAL INSURANCE COMPANY

The Colorado Division of Insurance ("Division") and Pioneer General Insurance Company ("Pioneer General"), collectively referred to as the "Parties," hereby enter into the following Stipulation for Entry of Final Agency Order Re: Market Conduct Examination of Pioneer General Insurance Company ("Stipulation").

1. A Market Conduct Examination of Pioneer General ("MCE") was called by the Division on May 5, 2009. The MCE covered the period January 1, 2008 through December 31, 2008, and principally addressed Pioneer General's bail bond business in Colorado, including the examination of the following:
 - a. Company Operations and Management;
 - b. Advertising, Marketing and Sales;
 - c. Complaints
 - d. Producers/Agents;
 - e. Contract Forms;
 - f. Rates;
 - g. New Business; and
 - h. Claims Handling, to include bail bond forfeiture judgments and return of collateral.
2. The MCE was conducted between August of 2009 and June of 2010 by the Division's independent contract examiners. Pioneer General cooperated with the MCE, provided access to its files and responded timely to requests of the examiners.
3. The examination was completed on June 15, 2010. A draft examination report ("DER") of the findings of MCE, dated June 15, 2010, was provided by the contract examiners to the Division. Subsequently, on August 16, 2010, the Division sent Pioneer General an official Report, which set forth issues and recommendations identified by the Division. The Oath and Verification regarding the draft examination report was signed on September 16, 2010.
4. On September 14, 2010, pursuant to §10-1-205(2), Pioneer General timely made a submission (the "September Submission") to the Division in response to the Report. The September Submission addressed the issues and recommendations

set out in the Report and further provided Pioneer General's position regarding the same, identified various revisions to its procedures, forms and indicated remedial actions that it was taking regarding future compliance as to the Report findings and recommendations. Subsequently, Pioneer General held a mandatory meeting with all of its agents on October 25, 2010 to implement its new procedures and the use of new forms in accordance with the Report findings and recommendations.


5. On October 15, 2010, pursuant to §10-1-205(3)(a) Commissioner Marcy Morrison issued a Final Agency Order O-11-053 ("FAO53") adopting the Report ("Final Report"). In the FAO the Commissioner assessed a civil penalty of \$533,000.00 along with a surcharge of \$7,500 for a total amount of \$540,500 against Pioneer General as a result of findings of FAO53 and the Final Report and required that this amount be paid within 30 days of the date of FAO53.
6. FAO53 and the Final Report were transmitted to Pioneer General on October 15, 2010 by the Division. The Division also sent a letter to Pioneer General on October 15, 2010 requesting that certain actions be taken concerning the findings and recommendations in the Final Report as incorporated in FAO53.
7. On November 9, 2010 representatives of Pioneer General met with Commissioner Morrison and representatives of the Division to discuss FAO53, the Final Report and its remediation plan.
8. By letter dated November 9, 2010, Pioneer General, through legal counsel, requested a hearing as to FAO53 and the Final Report and accompanied that letter with a written Request For Hearing setting forth Pioneer General's basis for challenging the factual and legal findings of FAO53 and the Final Report.
9. By letter dated November 10, 2010 to Pioneer General's legal counsel, the Commissioner and Division, through their counsel, denied Pioneer General's Request For Hearing and advised of the appeal procedures that the Commissioner and Division deemed applicable to FAO53 and the Final Report.
10. On November 15, 2010, Pioneer General made a supplemental submission ("November Submission") to the Division addressing its corrective action measures in response to the Final Report and the Division's October 15, 2010 letter to Pioneer General requesting additional information as to the remedial action identified by Pioneer General in its September Submission.
11. On November 12, 2010, Pioneer General filed a Complaint in Denver District Court (Case No. 2010CV8887), seeking a declaratory judgment, injunctive relief and judicial review of FAO53 and other matters related to the MCE and the Final Report naming the Commissioner, the Division and the Department of Regulatory Agencies as defendants. The Defendants filed an Answer to the Complaint on or about December 10, 2010. Subsequently, the parties have filed motions in the District Court case, and have been granted additional time to engage in settlement negotiations and to consummate the settlement reflected in this Stipulation.


12. On November 15, 2010, Pioneer General also filed a Notice of Appeal and Verified Emergency Motion for Stay of Fine in the Colorado Court of Appeals (Case No. 2010CA2354). On December 2, 2010, the Court of Appeals stayed payment of the fine by Pioneer General, conditioned upon the filing of a supersedeas bond in the District Court securing payment of the fine, and further stayed all proceedings in the Court of Appeals pending resolution of the Denver District Court matter, whether through settlement or litigation.
13. Since the above matters have been pending, the Parties have conducted settlement negotiations and have reached the following agreement in full settlement of all claims and related matters, including the Division's Final Report and an Amended FAO to be entered by the Commissioner. Upon execution of this Stipulation and the other undertakings there under, Pioneer General agrees to dismiss, with prejudice, the proceedings in the Denver District Court and the Colorado Court of Appeals.
14. Upon execution of this Stipulation, the Commissioner, for himself and on behalf of the Division, hereby agrees to sign an Amended Final Agency Order ("Amended FAO") concerning the MCE, the Final Report and all matters related thereto, which Amended FAO will supersede FAO53.
15. Pursuant to the Amended FAO, Pioneer General agrees to pay a total civil penalty of Two Hundred Twenty-Five Thousand Dollars (\$225,000.00) to the Division within 14 days of the date that the Amended FAO approving this Stipulation is signed by the Commissioner. Upon payment of this amount, the Commissioner and the Division agree to sign all necessary papers to release and return to Pioneer General, the supersedeas bond filed in the Denver District Court.
16. Pioneer General agrees it will undertake and complete by December 31, 2011, all the procedure changes, modification of forms, training and supervision of agents, and other remedial measures set out in Pioneer General's September and November Submissions in relationship to the findings and recommendations identified in the Final Report. Within 30 days of December 31, 2011, Pioneer General agrees to submit written confirmation to the Division, through a statement signed by an officer of the company, attesting that to the best of that officer's information, knowledge and belief, that Pioneer General has completed all the procedure changes, modifications of forms, training and supervision of agents, and other remedial measures set out in its September and November Submissions as of December 31, 2011. The Commissioner and the Division agree that the proposed remedial measures set forth in Pioneer General's September and November Submissions are satisfactory and will be deemed to comply, if implemented, with the findings and recommendations of the Final Report.
17. Pioneer General understands and agrees that the Division may conduct other market conduct examinations of Pioneer General's bail bond business, as may be permitted by law, but the Division agrees that a future market conduct examination shall be conducted for an audit period that will commence no sooner than July 2012.

18. Pioneer General has paid, to its knowledge, all outstanding costs of the market conduct examination embodied in the Final Report, including any contractor fees that were due and owing up to and including the date of this Stipulation. Payment of these costs shall be in addition to the funds paid by Pioneer General pursuant to paragraph 15 above.
19. By entering into this Stipulation, Pioneer General knowingly and voluntarily waives its rights concerning the subject MCE, Final Report and FAO53 pursuant to Colorado statutes and law governing the same, including but not limited to, a hearing in this matter; the right to be represented at such hearing by counsel chosen and retained by Pioneer General; the right to present a defense, oral and documentary evidence; to cross-examine witnesses at such hearing; and the right to seek judicial review or other relief regarding the above. Nothing in this provision shall limit or otherwise affect Pioneer General's rights pursuant to Colorado statutes and law governing MCEs with respect to any future MCE that the Division conducts.
20. The Division and Pioneer General agree that this Stipulation is a full and final settlement of the issues raised in Denver District Court Case No. 2010CV8887 and Court of Appeals Case No. 2010CA2354. This Stipulation is intended to resolve all of the civil claims between the Commissioner, the Division and the Department of Regulatory Agencies and Pioneer General, its officers, directors and employees as of the date of the Stipulation. The parties agree to execute any papers necessary to dismiss Denver District Court Case No. 2010CV8887 and Court of Appeals Case No. 2010CA2354, with prejudice, each party to pay their respective attorney fees and costs.
21. Subject to the terms of paragraphs 17 and 19 above, Pioneer General understands and acknowledges the Division may take such lawful steps as may be required or appropriate to investigate and determine whether Pioneer General is in compliance with the Stipulation and the Amended FAO approving this Stipulation.
22. In the event the Division takes action relating to alleged violations of this Stipulation or Amended FAO, said Stipulation, Amended FAO and all related materials shall be deemed admissible in full in that proceeding for any relevant purpose.
23. Pioneer General enters into this Stipulation freely and voluntarily, after having the opportunity to consult with legal counsel of its choice, and with full understanding and acceptance of the legal consequences of this Stipulation and the Amended FAO.
24. Pioneer General understands that this Stipulation and the Amended FAO shall be reported to the National Association of Insurance Commissioners pursuant to §§ 10-2-416(5)(e) and 10-2-803(2), C.R.S.
25. Invalidation of any provision of this Stipulation or the Amended FAO by a court of competent jurisdiction will in no way affect any other provisions, which shall remain in full force and effect.

26. This Stipulation and Amended FAO embody the entire agreement between Pioneer General and the Commissioner and Division, and there are no agreements, understandings, representations or warranties that are not expressly set forth herein.
27. Upon the Commissioner's entry of the Amended FAO, this Stipulation and Amended FAO shall be a public record in the custody of the Division under the Colorado Public Records Act, § § 24-72-101, *et seq.*, C.R.S.
28. This Stipulation is subject to approval by the Commissioner or his designee, and shall become binding upon the parties hereto upon such approval. In the event the Commissioner does not approve this Stipulation, the parties shall retain all claims and defenses available to them had this Stipulation not been entered into by the Parties.
29. The Parties retain all legal rights to enforce the terms of this Stipulation as may be applicable in a court of competent jurisdiction.


Signed and dated this 7th day of June, 2011.


Peggy A. Brown, Esq.
Deputy Commissioner of Consumer Affairs

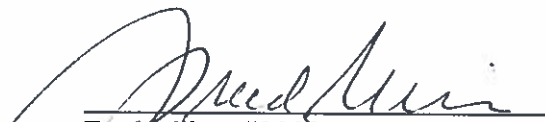

Bruce Lowdermilk
President
Pioneer General Insurance Company

Approved as to Form:

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